

Analysis of the indian hotel company limited tourism



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- Current Situation

The Indian Hotel Company Limited (IHCL) is an Indian based Hospitality Company which provides adjustment services in four different market sections globally. The company has its central offices in Mumbai, India. It is listed in Bombay Stock Exchange (BSE) .

Company schemes

The growing scheme of the company is to run 20, 000 suites from the current 14, 000, in 25 major finishes around the universe. They target on a group turnover of US \$ 2 billion, from which 33 % would be from international operations by 2012.

Company operations

The company portfolio comprises of 4 trade names ; The Taj hotels which concentrates on luxury market, The Vivanta which is upper upscale, The Gateway hotels which is upscale and Ginger their budget hotels. The company operates India ' s lone wildlife Lodges called Taj campaign in joint venture with CC Africa.

Company Background

The Indian hotel company limited (IHCL) was established in 1902 by Mr Jamshedji Nusserwanji Tata. In 1903 the first hotel Taj Mahal Palace was opened in Mumbai. The twelvemonth 1974 saw an enlargement of the company by opening its 2nd belongings at Goa and went on adding belongings at a rapid rate fuelled by the Tourism growing in India. Till day of the month it has added 104 belongings across the Earth to its portfolio. The <https://assignbuster.com/analysis-of-the-indian-hotel-company-limited-tourism/>

company is listed on Bombay stock exchange (BSE) . Tata boies limited which is the parent company holds 28. 5 % equity capital in IHCL.

Parent Company

The Tata Sons limited was founded in 1868 by Jamsetji Tata. It has its presence in assorted sectors such as Steel, Automobiles, Information engineering, Communication, Power and Tea. It operates in more than 85 states across 6 continents. It has a group turnover of over Rs. 124, 970 crores (\$ 24. 5 bn) . It accounts for about 6 % of the entire market capitalization of Bombay Stock exchange (BSE) .

Stakeholders

Stockholders

Major stockholders

Percentage

Tata boies limited

29. 53

Life insurance corporation of India

12. 7

Deutsche Securities Mauritius Limited

3. 05

General Insurance Corporation of India

2. 12

Other minor stockholders

52. 6

The Company Structure

Subordinates

Domestic

International

Tifco Retentions limited

International hotel direction services Inc.

KTC hotels limited

Taj international hotels (H. K) Limited

United hotels limited

St. James tribunal hotel Limited

Taj SATS Air catering limited

Chieftain corporation NV

Roots corporation limited

IHOCO BV

Residency Foods and drinks limited

Samsara belongings limited

Advanced Foods limited

IHMS Limited

Cardinal people

Mr. Ratan Tata: Chairman of Tata boies Limited

He became the president of the Tata boies in the twelvemonth 1981 which is the largest Indian pudding stone. The group comprises of companies viz. Tata motors, Tata steel, IHCL, Tata consultancy services (TCS) , Tata Power, Tata tea, and Tata Telecom.

He graduated from Cornell University in architectural and structural technology and joined the company in the twelvemonth 1962. In 1971 he was appointed as the manager in charge of NELCO which was in strong fiscal crisis. His hazard taking capableness and vision made him the replacement of JRD Tata.

Tata boies under his leading made a figure of acquisitions such as Chorus steel, Jaguar motors and Land Rover. This made the company ' s presence in planetary market.

Mr. Raymond. N. Bickson: MD and CEO of IHCL

He joined IHCL in the twelvemonth 2003 as head runing officer of the luxury section. In the same twelvemonth he assumed the duty of MD and CEO of the company. He carries more than 30 old ages of international cordial

reception direction experience. Prior to IHCL he worked about 15 old ages as a frailty president and general director for The Rafael group.

An American national, Mr. Bickson attended the Ecole Hoteliere Lausanne in Switzerland and Advanced Management Programme at Harvard Business School. He is an active member of Leading hotels of the universe and World travel & A ; touristry council.

During his term of office, IHCL went through rapid enlargement by acquisitions, pull offing contracts and joint ventures at domestic every bit good as international market.

Mr. Anil P Goel: Executive Director Finance

He overlooks the Taj Group ' s Finance, Mergers and Acquisitions, Purchase and Legal & A ; Secretarial map. He is a non-executive manager for Taj GVK limited.

Mr. Abhijit Mukerji: Executive Director – Hotel Operations

He oversees hotel operations of the Taj Hotels Resorts and Palaces which include Taj Luxury Hotels – India and International, Taj Business Hotels, Taj Leisure Hotels, Taj Spas, Taj Trade and Transport and Indi travels.

Mr. Ajoy K. Misra: Sr. Vice President, Gross saless and MarketingA

He represents Taj in industry organisations such as the World Travel and Tourism Council, India Initiative (WTTC II) , World Tourism Organisation (WTO) , Hotel Association of India (HAI) , Bombay Chamber of Commerce

and Industry, and the Confederation of Indian Industry (CII) . He served as General Manager of the Taj President in Mumbai and Area Director in the Sri Lanka and Maldives part.

Mr. Prakash V. Shukla: Sr. Vice President, Technology and Chief Information Officer.

He is presently responsible for entire IT deployments at the Taj Group and is on MD ' s direction commission.

Mr. H. N. Shrinivas: Sr. Vice President – Human Resources

Mr. Shrinivas has worked for 18 old ages with the Taj in Human Resources, Learning & A ; Development and Business Excellence maps. He holds a Maestro ' s Degree in Social Work from the National Institute of Social Sciences, Bangalore, and a Masters in Industrial Law from Bangalore University.

Mr. Veer Vijay Singh: Chief Operating Officer – Upper Upscale Hotels

He is responsible for the Operations and Overall Performance of 36 hotels in 26 locations spread across seven states under upper upscale class. He graduated from IHMCT & A ; N, New Delhi and had the chance to heighten his accomplishments by go toing developing programmes conducted by Cornell University Singapore, INSEAD & A ; Harvard.

Ms Jyoti Narang: Chief Operating Officer – Luxury Division

Taj Hotels Resorts and PalacesA

She is responsible for the overall development and operations of the luxury class hotels. When she was the Chief Operating officer for the upper upscale division, she was instrumental in opening the launch of Taj SafarisA which is a alone construct that offers adventure tourer a typical wildlife experience. In 2008, Ms. Jyoti was appointed as the Chief Operating Officer of The Gateway Hotels, the new upscale trade name of the group, and was involved in developing the construct and establishing the trade name.

Mr. P. K. Mohankumar: Chief Operating Military officer

Gateway BrandA

Mr. P. K. Mohankumar has over 35 old ages of experience in hotel operations with the Taj Hotels, Resorts and Palace. He is an alumna of Institute of Hotel Management, Mumbai and has participated in several senior leading workshops conducted by Harvard Business School, Michigan University, USA, Cornell University, Singapore and IIM, Ahmedabad. Presently, he is the Chief Operating Officer of the Gateway hotels, and is responsible for the operations and public presentation of 19 belongingss in India.

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Sustainable Tourism

EARTH (Environment Awareness & A ; Renewal at Taj Hotels)

The EARTH plan was launched in August 2008, put forward to cut down the impact of the Hotel group ' s day-to-day operations on the environment.

EARTH programme has received enfranchisement from Green Globe.

Presently 55 belongings under IHCL are certified and the company is looking forward to set all the hotels under the enfranchisement by 2009-2010. The company focal point on bettering energy efficiencies, H2O direction, solid waste direction which helps to cut down the strong impact on environment.

Porter ' s five forces

Competition plays a major function in today ' s universe. Competition can hold both good and unfavorable effects. Competition for net incomes goes beyond established market challengers to include four other forces every bit good. They are Customers, Suppliers, New Entrants, and Substitute merchandises. To understand industry competition and profitableness, we must analyze the industry ' s construction in footings of the five forces.

Menace of new entrants: New entrants can set force per unit area on monetary values, costs, and the rate of investing necessary to vie. Due to globalization and rapid economic growing of Indian market a favorable market has emerged for International hotel ironss. Hotel ironss like Four seasons, Marriott International Inc. , Starwood Hotels and Accor Hotels have late came up with undertakings across India. New International hotels such as Shangri La, Mandarin, Movenpick and Ritz Carlton are in grapevine. Entry of non-hospitality companies into hotel sector can be a menace ; such as Reliance Industries. Due to dilution in the market the profitableness of IHCL can be at interest.

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Dickering power of providers: Suppliers have more power if they have the monopoly or make non depend to a great extent on the industry for its gross. As cordial reception industry is enormously labour oriented, their trade brotherhoods and labour providers are powerful. As hotels ironss are looking for rapid enlargements and premier belongings, the power of belongings proprietors is high. Inbound circuit operators are holding an upper manus as they provide immense volume of concern to the hotels. Infrastructure providers have moderate power over the company.

Dickering power of purchasers: Powerful clients demand more value by coercing down monetary values for better quality and more services. This consequences in higher operating costs thereby conveying down profitableness. Corporate clients due to their immense volumes have negotiated rates. Company had to come up with trueness programme for retaining clients which incurs costs.

The menace of replacements: A replacement does the same or a similar map as an industry ' s merchandise by a different agencies. The menace of a replacement is high when it offers an attractive monetary value and service to the similar industry ' s merchandise. Luxury serviced flats, bivouacing and Lodges are in demand. The Government ' s debut of bed and breakfast hotels can truly be a menace. Web 2 which enables picture conferencing is an emerging merchandise which can be a menace to MICE (Meetings, Incentives, Conferencing and Events)

Rivalry among bing rivals: Rivalry among hotel ironss consequences in discounting of monetary value, new merchandise launch, publicizing runs,

and betterment in service. If there is high competition the profitability of the company can be affected. The hotel merchandises are extremely perishable, which creates an impulse to cut monetary values and sell the stock list below its profitable rate to cover the fixed cost.

Internal environment of the company:

The internal environment of the company can be divided into two types they are Tangible and Intangible resources.

Tangible resources include assets which can be seen and felt, like physical belongings, Yachts, Flights, and other fixed assets which spread around 5 continents.

The intangible resources are the one which can non be seen or felt but play a major function in the concern like the trade name value, Leadership manner, Human resource etc.

IHCL being the subordinate company of Tata Sons Limited, which has a company background since 1868. IHCL itself operates in cordial reception sector in India for last 108 old ages, and have the market portion of 22 % in India shows the trade name value of the company. In footings of leading manner the company has a manner of inventions and innovator of Luxury belongings and wild life Lodges (Joint venture with CC Africa) and budget hotel ironss (Ginger Hotels) , Spa resorts and belongings in India.

The human resources in the company is about 20, 000, which includes lasting staff, Fixed term contract workers and other Executives and Corporate staff. The company has assorted staff development plan such as

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TMTP (Taj Management Training Program) SPEED PLUS, HOMT for standardisation of operations throughout the company.

External Environment:

It can besides be called as Operating environment. Factors which influence organisations chances and hazards ; such as conditions, entities and events consists of its external environment.

Plague Analysis

Political:

Political instability in some parts of India made foreign investors cautious ; in bend brought down investing from abroad and concern travel. Due to the recent panic onslaughts on hotels in Mumbai, there has been a drastic bead in tourers reachings. Most of the Embassies have send travel advisory sing African and Asian states which has reflected tourer influx. As Government of India has reduced the duties and responsibilities on assorted points, trade dealings have improved. It encouraged travel and trade which resulted in growing of hotel industry. The Ministry of external personal businesss has implemented visa on reaching for several states in an attempt to advance touristry. The authorities has released a five-year revenue enhancement vacation to advance the growing of new hotels. External Commercial Borrowings have been eased by the Ministry to clarify the job of liquidness being encountered by the hotel industry due to economic lag. The Ministry of Home Affairs has agreed to allow Long Term Tourist Visa of 5 old ages continuance with Multi-entry installations transporting a status of 90 years on each visit to the subjects of the following 18 states which are France,

Iceland, Germany, New Zealand, Luxembourg, Japan, Netherlands, South Korea, Belgium, Argentina, Finland, Brazil, Spain, Chile, Switzerland, Mexico, Norway, and Vietnam on petition of touristy ministry.

Economic:

Early 1990 ' s saw economic liberalisation which led to a roar in the cordial reception industry. The Government has allowed Foreign direct investing and Foreign institutional investing ; which favours concern travel. Compared to other South East Asiatic states ; revenue enhancement construction in India is really high. Inadequate substructure installations like Airports, Communication installations and transposing installations is a challenge for the Tourism sector. The consequence of recession is doing serious jobs for many hotels particularly luxury hotels in peculiar. Hotels in certain planetary markets, chiefly those operate in leisure sector, are less affected. All geographicss are non every bit affected by recession. (have to include graph from the site quoted in nexus, prima hotels of the universe)

Sociable:

Indian clients are extremely sensitive to monetary value. A batch of them tend to compare services offered with monetary value. Hoteliers face a challenge to plan monetary value scheme in each sector. There is a struggle between local community and hotels on infinite handiness particularly at beach finishes. The company has got an advantage of universe ' s largest concentration of immature educated work force and therefore diminishing the labor costs. Two spiritual communities being Hindus and Muslims have spiritual sentiments towards beef and porc which is consumed by foreign tourers. This raises struggles between the organisation and spiritual groups.
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Large scale touristy operation consequences in environmental pollution and an addition in C emanation.

Technological:

The launch of E-commerce has revolutionized the hotel sector by cutting down cost and increasing functionality. The debut of Global Distribution System allows clients to enjoy current clip handiness of merchandises. The turning influence of picture conferencing has got negative impact on MICE (Meetings, Incentives, Conference and Events) division. It is possible to acquire critical information on clients and merchandises while off from desk due to wireless engineering. This has improved client relationships, saved clip and increased gross and net income.

Indian Tourism Scenario

Despite a bead in FTA ' s in India due to economic lag, domestic touristy has showed an impressive growing of 15. 5 % in the twelvemonth 2009.

Domestic touristy supported the industry during unfavorable status.

India ' s public presentation in touristy sector has been singular. During the period 1997 to 2009, India perceived an addition in the Foreign Tourist Arrivals from 2. 37 million to 5. 11 million. Because of planetary lag, terrorist activities and H1N1 grippe, growing rate in FTAs during 2009 fell by 3. 3 per cent. The planetary touristy fell by 4. 3 per cent. The plumb bob in India was less than that of the graduated table of planetary lag.

Foreign Exchange Earnings (FEEs) from touristy increased from Rs. 10511 crore in 1997 to Rs. 54, 960 crore in 2009. The growing rate in net incomes

in 2009 vis-a-vis 2008 was 8.3 per cent. The per centum portion of India in International touristy gross has about doubled in past 12 old ages.

Solutions:

The Company has got merely undistinguished investments at political instable locations. To forestall future security menace the company has sought advice of security experts and invested to a great extent on bettering security substructure.

To cut down the struggle between local community the company has come up with corporate societal duty. For case the company works closely with NGO 's to develop and develop underprivileged homemakers to gain their support. The company tries to advance Indian civilization by promoting local craftsmans and craftsmen. This helps the local community in broadening their ain mentality. Anticipating sustainable touristy IHCL has come up with EARTH initiative to reinstate its vision and to continue nature.

To get the better of the gross loss due to video conferencing the company came up with new scheme of marketing in- house picture conferencing installations for corporate clients.

SWOT ANALYSIS

Strengths

IHCL has a really dominant place in Indian cordial reception industry with largest distribution of hotels around the state. Its cardinal advantage is the constituted 'Taj' trade name name. It has got a much diversified hotel and trade name portfolio providing to different market sections which helps in

capturing wider client base. The company has got gross revenues and marketing range globally. The parent company being Tata boies limited which is one of the largest companies in India is an added advantage. Their presence in every section viz. luxury, upper upscale, upscale and budget allows more flexibleness and stableness. They have a well-diversified concern theoretical account of subordinates, associates, joint ventures and direction contracts which help in cut downing hazard and fuels faster growing. This plus visible radiation policy will assist in gross stableness during economic nonacceptance. Soon 45 % of IHCL hotels are operated through joint-ventures, 40 % are direction contracts and 15 % are owned in portion or full by IHCL.

Beginning: Adapted from HotelierIndia Nov 2010, Press Release

The company has introduced a strong trueness programme which helps in retaining clients. The company ' s confederations and partnerships have helped it in come ining into new markets such as wildlife Lodges and air catering. They have the advantage of really strong corporate purchase concatenation whereby they can well cut down natural stuff cost. As the parent company is present in the production of FMCG ' s they are able to secure points in a much competitory monetary value. The company even have introduced trueness programmes in concurrence with all taking air hose companies.

Failing

The less constituted trade name name of the company in international scene can be viewed as a failing. About 75 % of the company ' s income is

generated by domestic operation ensuing greater dependence on Indian market. In domestic market even though company has its presence in more than 15 provinces ; 66 % of their gross and about 90 % of net incomes come from top six hotels in four metropoliss. Even little fluctuation in the state ' s economic system can impact profitableness. The high dependence on higher-end luxury market can besides be viewed as a failing. About 54 % of the gross is generated by these belongings. Comparative size in line with international ironss and undistinguished international presence is a reverse. The hotel industry in India is to a great extent staffed. In malice of international mean 1: 1 in India it stands at 2. 1: 1. Investings in geting international hotels have resulted in immense debt for the company.

Opportunities

Rapid growing in inbound and domestic touristy is a great chance for the company. Domestic touristy is turning at a phenomenal rate of 15. 5 % yearly. Turning demand for budget and mid-segment hotels due to the growing of Indian in-between category can be viewed as an chance. Healthy salary additions in corporate universe is expected to make demand for leisure touristy. Launch of unbelievable India in both domestic and international market to advance finishes can be a encouragement in concern. The debut of medical visa may advance more volume and extended stay in all cardinal finishes. The company ' s entry into new markets such as wildlife Lodges, luxury abodes, and watering place will make new growing prospectus. Budget air hoses now have connectivity across the state with competitory rates and attractive offers which will animate domestic touristy.

Increased concern chances in India once more have paved way for growing of conference and event touristy.

Menaces

Turning presence of international hotel ironss such as Marriot international, The Four seasons, Accor group, Shangri-La, Dreams resorts and spas etc. can be considered as turning menace to the company. The enlargement programs of Indian hotel ironss like ITC India limited, The Leela group, The East India Hotel Company and The Lalit may impact the market portion of the company. Due to the reaching of international air hose operators and low-cost international travel, there has been monolithic growing of outward touristy chiefly to south East Asia, Europe and Australia. This has increased hazard for domestic leisure section. Due the company ' s portfolio of foreign currency debts, it is vulnerable to fluctuations in currency and involvement rate hazards. The debt equity ratio of the company shows drastic hiking from the old old ages which can truly be a menace.

Beginning: Adapted from Annual Reports

“ Debt to equity ratio indicates how the house finances its operations with debt relation to the book value of its stockholders equity ” (Fabozzi and Drake 2009 pp80) . This indicates the comparing of equity and debt the company is utilizing to endorse its assets. If the ratio is high so the company is said to be chancy as it is financed more by with debts and it might go even worse if the involvement rates are high.

The company stands at a menace as the debt equity ratio shows a tendency of escalation from. 52 to. 99 within a span of 4 old ages.

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Strengths and Opportunities

Due to the company's presence across the state in different market sections it can capitalise the growing of domestic tourism. As the company has a well-established budget and mid-market section hotels, it can profit from the turning disbursement power of Indian in-between category. Merely IHCL has presence in wildlife Lodge section which shows turning demand every twelvemonth. Loyalty programmes in affiliation with prima air hose companies have resulted in greater development of tourism growing in India. Company's entry into wellness tourism by setting up Spas in its big belongingss can milk authorities plan to publish medical visa.

Strengths and Menaces

By virtuousness of the company's trueness programmes and corporate affiliations they would be able to keep to their market, even though new international participants could stand a menace. IHCL have immense enlargement programs in reply to other domestic hotel ironss. By their programs to spread out internationally it can take down the hazard of outward tourism.

Weakness and chances

Since domestic travel became cost effectual, domestic leisure tourism turned robust and distributed, accordingly cut down hazard of concentration of gross from cardinal metropolis hotels.

Weakness and Threats

To oppose the dependance on high end luxury market, the company has entered into budget section which is stable comparing to the later. The

company have international enlargement plans other than being belongings outside India so that it will be immune to domestic economic fluctuations.

Diversification

The IHCL has diversified its operation in cordial reception sector from the hotel operation to other sectors like Air catering, Spa operations, Wild life Lodges, Yachts, Chartered Flights and Taj Khazana.

TajAir

TajAir is a charter flight running company owned by IHCL, the subordinate company of Tata Sons Limited⁴ innovator air power operator in India. TajAir at present owns 3 Air trade 's which can be chartered by invitees for domestic and international air travel.

Ginger Hotels

The Ginger Hotels are self-service budget hotels operated by IHCL which targets mid-market sector.

Watering place

Jiva Spas the subordinate of IHCL which operates at more than 25 Taj hotels at 20 different finishes which offers different rejuvenating interventions and massages.

Taj SATS

Taj SATS is an air providing division of IHCL in coaction with Singapore Air Terminals which caterers to domestic and international flights running from 6 different metropoliss.

Taj Safari

Taj Safari is a wild life Lodge which operates in coaction with CC Africa which is one of its sorts in India.

Taj Khazana

Taj Khazana is a signature dress shop of Indian handcraft, Jewellery and garments which operates at selected IHCL belongingss.

Current Situation

The Company has decided to raise Rupees 850 crores by publishing portions and warrants to the booster company Tata Sons Ltd to fuel its rapid enlargement programs.

Since the market is strong now the company has decided to raise its room duties by 10-15 per centum.

The company announced the roll-over of 19 hotels under its new trade name Vivanta by Taj Hotels and Resorts. The debut of Vivanta which is a trade name architectural exercising by the company will be slotted in the 5-star upper upscale section in the Indian cordial reception industry.

To work the ongoing fling by Indian families on nutrient and drink disbursement, the company has rolled out several new F & A ; B mercantile establishments in coaction with universe renowned chefs and restauranters.

To run into the current demands, they have invested a major portion in Serviced Apartments, Wildlife lodges and Spas.

To accomplish their end of bring forth 33 per cent of entire gross from international operations, they are engaged in Management contracts and Joint venture overseas.

To capitalise the high demand of mid-market section, IHCL has unveiled more than 20 budget hotels across India named “ Ginger Hotels ”

In order to retrieve the loss of gross due to the dip of touristy in India, the company has gone into a new scheme of setting cap on salary hiking and the inducement for the executives and stop dead new enlisting in the company and predicts a net income of 15 chromium.